

Cross Border Adjustment Mechanism (CBAM) - Customer Information Letter

Dear valued customers,

We are writing to provide you with an important update regarding the Cross Border Adjustment Mechanism (CBAM) for Europe. This pivotal regulation is designed to enhance transparency and reduce greenhouse gas emissions associated with imported goods. As a key player in the European market, we are proactive in aligning with the CBAM's objectives and are fully equipped to adhere to its stipulations, ensuring a seamless declaration process for our products.

CBAM Requirements: The CBAM mandates comprehensive reporting of carbon emissions for goods imported into Europe, correlating the carbon price with the EU Emissions Trading System (ETS). Currently, the ETS price hovers around EUR 80 per ton of CO₂ and is accelerating quickly, projected to exceed EUR 100 per credit by the end of this year. The scope of the CBAM encompasses a variety of products, notably steel, aluminum, cement, fertilizers, and electricity. On average, we are seeing nearly 2.1 tons of carbon emissions for every ton of finished steel products. The EU Trade Commission is finalizing how the final calculation will work with the addition of an 'Emissions Benchmark', which will calculate the final CBAM impact. This is expected to be finalized towards the middle of this year. Various proposals currently under review vary significantly, with respect to the final impact.

Our approach involves a meticulous review of all relevant items, collaborating closely with our manufacturing partners to gather essential data and documentation, including carbon content certificates, emissions reports, and verification statements. We are finalizing a massive outreach to our global suppliers, and the good news is that most suppliers are willing and able to provide emissions data. For those suppliers unable to support reporting, they will eventually be eliminated from our supply chain as a valid source. Our commitment is to ensure precise and thorough reporting.

CBAM Timeline: The CBAM will be implemented in stages, with 2025 focused on data collection and reporting. This phase requires us to disclose carbon emissions data for products actively being imported into Europe. Subsequently, starting January 2026, we will also procure carbon offset credits to neutralize the CO₂ emissions of the imported goods in question.

Importer of Record Responsibility: As Fastenal is the importer of record, we are assuming full responsibility for the reporting obligations under the CBAM. We are taking proactive measures to ensure that all reporting requirements are met with the utmost accuracy and compliance. We continue to work with our European manufacturers to migrate our import tonnage towards European sources wherever possible. However, there are certain categories, such as hex nuts, where there is no capacity within Europe to support local demand. These types of products will continue to be imported by necessity.

As one of our valued customers, you can rest assured that there is no local action required on your part. Our team is dedicated to managing all aspects of the CBAM reporting process, providing you with peace of mind and allowing you to focus on your business operations without any additional regulatory burdens.



Conclusion: Our dedication to complying with the CBAM regulation and minimizing our environmental footprint is unwavering. We will continue calculating end-user impact files and will be connecting with all affected end-users this year to discuss projected cost changes and the associated commercial impact. Your continued patronage and confidence in our offerings are highly valued. We pledge to keep you apprised of any updates or modifications pertaining to the CBAM. Should you seek further clarification or additional information, we encourage you to reach out to your local Fastenal representative.

Thank you for your business and collaboration.

Sincerely,



Jozef Gallot
Director of Supply Chain

